

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7035

BILL NUMBER: HB 1331

NOTE PREPARED: Jan 7, 2012

BILL AMENDED:

SUBJECT: Companion Animal Sterilization Program.

FIRST AUTHOR: Rep. Speedy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: *Companion Animal Sterilization Program and Fund:* This bill establishes the Indiana Companion Animal Sterilization Fund and the Indiana Companion Animal Sterilization Program under the administration of the Board of Veterinary Medical Examiners to reimburse veterinary services providers who participate in the program for furnishing spaying or neutering services on a dog or a cat owned or harbored by a Medicaid recipient at no charge to the Medicaid recipient. It adds the fund as a charitable purpose to which an individual may choose to give all or part of the individual's income tax refund. It provides that the fee imposed on sales of unsterilized cats and dogs at retail, the fee imposed on rabies vaccinations performed by veterinarians, and the increases in the pet food inspection fee are paid into the fund. The bill also appropriates money in the fund, other than money reserved for refunds, that is not otherwise appropriated.

Various Fees: The bill imposes a fee of \$50 on the sale of an unsterilized cat or dog at retail. It imposes a fee of \$3 on each rabies vaccination performed by a veterinary services provider. The bill also increases the fee collected from distributors of pet food paid annually for inspection of pet food sold in packages of 10 pounds or less from \$50 to \$80.

Tax Credit: The bill provides a tax credit against state tax liability to veterinary services providers who participate in the program and perform both: (1) a rabies vaccination; and (2) spay or neuter services; on a companion animal owned or harbored by a Medicaid recipient.

Effective Date: July 1, 2012; January 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional

expenses to revise tax forms, instructions, and computer programs to reflect the new Selected Veterinary Services Tax Credit and the new income tax checkoff proposed by this bill. The Department's current level of resources should be sufficient to implement this change.

Board of Veterinary Medical Examiners: This bill requires the Board of Veterinary Medical Examiners to conduct a program to reimburse veterinary services providers that perform spaying or neutering services for a companion animal owned or harbored by a Medicaid recipient at no charge. The bill provides that the board may contract with one or more nongovernmental entities to conduct this program and/or to administer the Companion Animal Sterilization Fund (established by this bill) and process reimbursement claims by veterinary services providers. If the board contracts with an organization to administer the fund, the bill provides that the organization may not expend more than 15% of the fund annually for administrative costs.

The Board may find it necessary to coordinate with the Office of Medicaid Policy and Planning and the Division of Family Resources in order to determine the Medicaid eligibility of the owner of the companion animal. Currently enrolled Medicaid providers ascertain Medicaid eligibility electronically through the enrollment contractor. Current Medicaid enrollment is approximately 1.1 million individuals and is projected to grow to 1.6 million with the implementation of federal healthcare reform.

Explanation of State Revenues: *Selected Veterinary Services Tax Credit:* This bill could reduce revenue to the state General Fund by an indeterminable amount beginning in tax year 2013, which would impact FY 2014. The bill provides a tax credit to veterinary services providers who participate in the Companion Animal Sterilization Program. The amount of the tax credit is equal to \$50 for each companion animal owned or harbored by an individual eligible to receive services under the program for which a provider has performed a rabies vaccination and spaying or neutering services during the taxable year. If the tax credit exceeds a taxpayer's liability for a taxable year, the excess may be carried forward up to five years.

The tax credit may be taken against the individual and corporate Adjusted Gross Income Tax, the Financial Institutions Tax, and the Insurance Premiums Tax. Revenue from these taxes is deposited in the state General Fund.

Income Tax Checkoff: The bill establishes a checkoff for income tax refunds to be designated to the Companion Animal Sterilization Fund. The checkoff applies beginning in tax year 2013. As a result of these circumstances, any fiscal impact likely would not arise before FY 2014. The number of taxpayers with refunds who may select the Companion Animal Sterilization Fund checkoff and the amounts such taxpayers may direct to the checkoff are indeterminable. However, it could potentially reduce the amount that would otherwise be designated by taxpayers to the Indiana Nongame Fund. This is the only income tax refund checkoff that exists under current statute. In tax year 2009, the Nongame Fund collected \$387,388 from 26,599 tax returns. This is an average of \$14.56 per filer.

Companion Animal Sterilization Service Fee: This bill charges a fee of \$50 for each purchase of an unsterilized companion animal. The fee is to be collected by retail merchants at the point of sale and will be excluded from the gross retail income received by retail merchants. Retail merchants who remit the fees in a timely manner are entitled to deduct and retain a collection allowance from the amount of fees generated. The DOR will deposit the fees remitted by retail merchants in the Companion Animal Sterilization Fund.

Companion Animal Rabies Vaccination Fee: The bill provides that veterinary services providers charge a fee of \$3 for each rabies vaccine for each companion animal vaccinated. The veterinary services providers are required to collect the fee at the time the vaccination is administered, and the fees will be excluded from

their adjusted gross income for state income tax purposes. Veterinary services providers who remit the fees in a timely manner are entitled to deduct and retain a collection allowance from the amount of fees generated. The DOR will deposit the fees remitted by veterinary services providers in the Companion Animal Sterilization Fund.

Pet Food and Specialty Pet Food Annual Inspection Fee: This bill raises this fee from \$50 to \$80, and distributes the additional \$30 of the fee to the Companion Animal Sterilization Fund and provides that \$50 will still be distributed to Purdue University, as is required under current law. According to the State Chemist's office, about \$574,000 was collected during 2011. This would have translated into about \$344,000 generated for distribution to the Companion Animal Sterilization Fund from this fee.

Companion Animal Sterilization Fund: This bill establishes the Companion Animal Sterilization Fund and provides that the fund will consist of appropriations by the General Assembly, donations, federal grants or other federal appropriations, fees and penalty revenue, interest and other earnings, and money reserved for refund claims. The fund's purpose is to reimburse veterinary services providers who perform spaying or neutering services of companion animals on behalf of Medicaid recipients. Money in the fund remaining at the end of a state fiscal year will not revert to the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; Board of Veterinary Medical Examiners, IPLA, FSSA.

Local Agencies Affected:

Information Sources: Robert Geiger, Office of the Indiana State Chemist, 765-494-1551.

Fiscal Analyst: Jessica Harmon, 317-232-9854; Kathy Norris, 317-234-1360.